AR37

Power Corporation of Canada, Limited

Annual Report 1966

SI VOUS PRÉFÉREZ RECEVOIR VOTRE RAPPORT ANNUEL EN FRANÇAIS, PRIÈRE D'AVISER LE SECRÉTAIRE,
POWER CORPORATION OF CANADA, LIMITED, 1 PLACE VILLE MARIE,
MONTRÉAL 2, QUÉBEC, CANADA

Our Objective: **Power Corporation of Canada, Limited**

To Invest Creatively in Canada's Future

To accomplish this objective the policy of Power Corporation of Canada, Limited is to:

1. Make long-term equity investments in industries which have the potential for substantial growth and profitability.
2. Concentrate our holdings in a limited number of companies which are or can become leaders in their respective industries.
3. Develop and support competent, self-contained management in each company and assist that company to realize its full potential.
4. Encourage the development of improved management techniques and new technology, products and markets.
5. Invest primarily in Canada and in situations outside Canada which are related to Canadian interests and experience.

Power Corporation of Canada, Limited

Board of Directors

Reading from left to right

*A. D. Nesbitt, *President, Nesbitt, Thomson and Company Limited*
Arthur Simard, Q.C., *Chairman, Marine Industries Limited*
W. Earle McLaughlin, *Chairman and President, The Royal Bank of Canada*
D. E. Kerlin, *President, Montreal Trust Company*
*W. I. M. Turner, Jr., *President of the Corporation*
W. G. E. Lannaman, C.A., *Secretary of the Corporation*
*P. N. Thomson, *Chairman of the Corporation*
**M. F. Strong, *Former President*
*W. A. Arbuckle, C. A., *Chairman of the Canadian Board, Standard Life Assurance Company*
R. L. Weldon, *Chairman, Bathurst Paper Limited*
Jas. B. Woodyatt, *Honorary Director*

Not present when picture taken

Howard Butcher III, *Chairman, International Utilities Corporation*
J. E. L. Duquet, Q.C., *Senior partner, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston*
R. R. Moodie, *Honorary Director*

*Members of the Executive Committee.
**Resigned September 30, 1966.

Officers, Auditors, Transfer Agents & Registrars, Stock listings

Power Corporation of Canada, Limited

OFFICERS

P. N. Thomson, *Chairman*
W. I. M. Turner, Jr., *President*
H. A. Hampson, *Vice-President*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*
G. W. Rutledge, *Assistant Vice-President*
A. F. Knowles, C.A., *Comptroller*
C. C. Frenette, *General Counsel*
R. F. Martin, *Assistant Treasurer*

AUDITORS

Touche, Ross, Bailey & Smart, Montreal

TRANFER AGENTS & REGISTRARS

Montreal Trust Company, Montreal, Toronto, Calgary, Vancouver

STOCK LISTINGS

Common Shares: *Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges*
Participating Preferred Shares: *Canadian Stock Exchange*
First Preferred Shares: *Montreal and Toronto Stock Exchanges*

Power Corporation Developments Limited
(a subsidiary company)

OFFICERS

W. I. M. Turner, Jr., *Chairman*
J. A. Scott, *President*
G. W. Rutledge, *Vice-President and General Manager*
H. P. Milavsky, C.A., *Vice-President*
E. H. Peck, *Vice-President*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*

Power Corporation of Australia, Limited
(a subsidiary company)

OFFICERS

J. D. Wolfensohn, *Chairman*
W. I. M. Turner, Jr., *Deputy Chairman*
D. L. Elsworth, *Managing Director*
I. F. McLaren, *Executive Director*
I. R. Harper, *Secretary*

Power Corporation of Canada, Limited

Financial Highlights

	1966	*1965*
INCOME AND EXPENDITURE ITEMS		
Total Income	$ 7,747,307	*$ 6,026,654*
Expenses, excluding interest	1,079,585	*836,272*
as % of assets	.50%	*.46%*
Interest Expense	1,527,587	*917,380*
Net Earnings	5,140,135	*4,044,723*
1st Preferred Dividends	1,345,950	*272,328*
Earned per Common Share[1] (6,198,550 shares outstanding)	51¢	*51¢*
Paid per Common Share	40¢	*36¢*
BALANCE SHEET ITEMS		
Total assets, at market	214,347,210	*182,975,676*
of which, liquid assets	27,322,501	*3,393,671*
Bank Loans and Notes Payable	18,459,281	*24,113,969*
Long Term Debt	9,375,000	*9,375,000*
1st Preferred Shares	30,000,000	*6,000,000*
Breakup Value per Common Share	20.00	*18.30*
INVESTMENT TRANSACTIONS		
Acquisitions[2]	22,691,811	*67,858,017*
Disposals	30,623,456	*31,451,245*
Net gain realized on disposals[3]	10,389,591	*10,946,059*

(1) After giving effect to rights of 6% participating preferred shares, but excluding the Corporation's equity in the undistributed earnings of companies in which investments are held.

(2) Excluding $26,741,744, being the value of shares received in share exchange transactions.

(3) Credited directly to investment reserve.

Directors' Report

Power Corporation of Canada, Limited

The directors have pleasure in submitting to Shareholders their 41st Annual Report and the audited financial statements of the Corporation and its consolidated subsidiary companies for the fiscal year ended June 30, 1966. These are to be presented to the Annual General Meeting of Shareholders to be held in the Auditorium, Floor M2, the Royal Bank of Canada Building, Place Ville Marie, Montreal, on Monday, November 28, 1966 at 10:30 a.m.

SUMMARY

Once again your Corporation's assets, income, net asset value per share, and dividends paid reached new records in the fiscal year ended June 30, 1966. Assets stood at $214 million, a gain of $31 million; income rose to $7,747,307, an increase of more than $1,700,000; and net asset value per share rose to $20.00 from $18.30. Reflecting higher interest and general expenses, as well as increased preferred dividend payments stemming from the issue of $30 million of first preferred shares at the beginning of the fiscal year, net income available per common share was unchanged at 51¢ per share. In addition, the Corporation's equity proportion of the undistributed earnings of companies in which it has investments increased to 61¢ per outstanding common share of Power Corporation from 55¢ per share in the previous year and when this is added to the earnings reported above, total earnings would amount to $1.12 per share versus $1.06. Dividends paid increased to 40¢ per share from 36¢ a year earlier; since June 30, payments have been further increased to an indicated annual rate of 44¢.

As foreseen in the last annual report, much of the management effort during the year was directed toward the continued development of companies in which we already held a substantial interest. Disposals exceeded acquisitions by $8 million, and this — combined with the sale of the new preferred stock already referred to — enabled your Corporation to reduce its bank loans and short term notes payable by $5.5 million and to build up its liquid resources by $23.9 million.

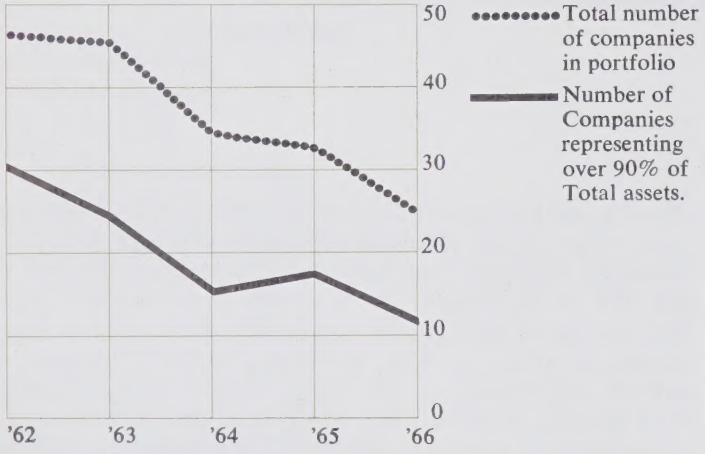
Despite the strengthening of our financial position and the progress made in consolidating our portfolio, the discount between the net asset and market values of the common shares widened during the year. On June 30, 1966 the market price of the shares stood at $11.50, a discount of 42.6% from the value of their underlying assets; the discount a year earlier had been 25.6%.

Since the Corporation's fiscal year end, there has been a decline of 12.4% in stock market prices which has naturally affected market value of our investment portfolio; the net asset value of each Power Corporation common share accordingly declined from $20.00 on June 30 to $17.50 at the end of September. As a longer term investor, your Corporation is not greatly concerned with a short term decline in stock markets, particularly when it reflects a natural adjustment to the higher yields available from fixed interest securities. We would of course be very concerned if there were economic or financial developments on the horizon which indicated that Canada's very bright long term growth prospects would be seriously limited. We do not believe this to be the case: indeed, there is increasing recognition by both governments and the public that policies which are too inflationary as a matter of short-term expediency can only end by sacrificing the longer run vigour and competitive strength of the entire economy. The measures recently announced in both Canada and the United States to ease economic strains must thus be viewed as very constructive on a longer term basis, even though they may involve higher taxation in the short run. We believe that these measures are further evidence that Canadians have the will to run their affairs responsibly and are confident that the outlook for those investing in the future of this country remains as promising as it has ever been.

INVESTMENT POLICY

As has been indicated in previous reports, the Corporation's policy in recent years has been to concentrate its holdings so that they represent substantial investments in a relatively few enterprises that are, or have the capacity to be, leaders in their respective fields. This requires that we make individual investments that are relatively large in dollar terms. They must also be relatively few for management to concentrate its efforts and ensure that the Canadian ownership base they represent is an effective, informed and creative force in the growth of your investments. This policy of concentration was carried further during the year, and the number of companies representing over 90% of the Corporation's assets, excluding short term notes, declined to 12 from 18 in the previous year.

The chart below shows the progress in this direction since 1962, and the elimination of smaller investments from the portfolio in the last few years.



A policy of reducing the number of our holdings does not mean that our interest in investing in new fields has diminished. Rather, it is our belief that such new investments can often be made best by companies in which we have a significant stake – these companies may either be existent or created expressly for such purpose. For example, during the year North American Recreation Industries Limited was established to take advantage of the growing demand for leisure time and recreation facilities. This new venture has taken over the resort and travel companies formerly held by Power Corporation Developments Limited. Formed in conjunction with an experienced partner, the new company has developed a strong and self-contained management team whose main interest is the leisure-time field. This Company has thus served as a useful vehicle through which the Corporation has been able to expand its interests in both summer and winter resorts, the travel agency business, theatre and television interests.

During the year, too, there was a further concentration of our holdings in the gas distribution and production industry. Early in the year, the holding of 381,243 shares of Greater Winnipeg Gas Company were exchanged for a like number of shares of the Northern and Central Gas Company. Subsequently, Northern and Central made a one for two share exchange offer to Canadian Industrial Gas & Oil in which the Corporation held 1,216,290 shares, a 25% interest. Canadian Industrial Gas and Oil had earlier made a share exchange offer with the shareholders of Abasand Oil which holds certain lease rights in the Athabasca tar sands and in which we formerly held a 15% interest. Northern and Central, of which we are the largest single shareholder, has thus become a strong factor in the hydrocarbon business embracing a broad range of activities from exploration to sale to the final customer. It is in fact now larger than was Canadian Oil Companies at the time its shares were acquired by Shell Oil Company. You will recall that our original investment in the predecessor companies of Canadian Industrial Gas and Oil was a small one which had been built up over the years through a planned program of acquisitions and mergers in which the Corporation played an important part.

The various share exchanges referred to above did not involve any change in the book value of investments, since the new shares received were placed on our books at the original cost of the investment being exchanged.

DISPOSALS

As noted above, disposals during the year exceeded acquisitions of new securities and totalled $30.6 million. The net gain on these transactions, $10,389,591, was credited directly to investment reserve. Among the disposals were our relatively small investments in Supertest ordinary shares, our 50% interest in Eastern Canada Stevedoring, and East Kootenay Power Company preferred and common shares — the latter as a result of the sale of the company to the British Columbia Hydro Power Authority.

The major disposal during the year, however, was the sale on a private basis of our entire holding of 200,000 shares of McIntyre Porcupine Mines Limited for a price very substantially in excess of our original cost and considerably above the prevailing market at the time of sale. In view of the substantial size of this investment and the fact that we were not in a position to affect significantly its future direction, your directors decided that your interests would best be served by selling this block of stock. Notwithstanding its sale, the Corporation is still interested in obtaining a major investment in the mining field if a suitable opportunity arises.

The price received for the McIntyre holding underlines the point that substantial investments in listed securities often command a premium over their prevailing market price, which is the price used for establishing the asset value of your Corporation's own shares.

PURCHASES

Our acquisitions during the year totalled $22,691,811 and were almost entirely confined to investments in companies in which we already had a substantial interest. The exceptions were North American Recreation Industries, already referred to, where our gross investment exceeded by about $500,000 the recreation assets of Power Corporation

Directors' Report

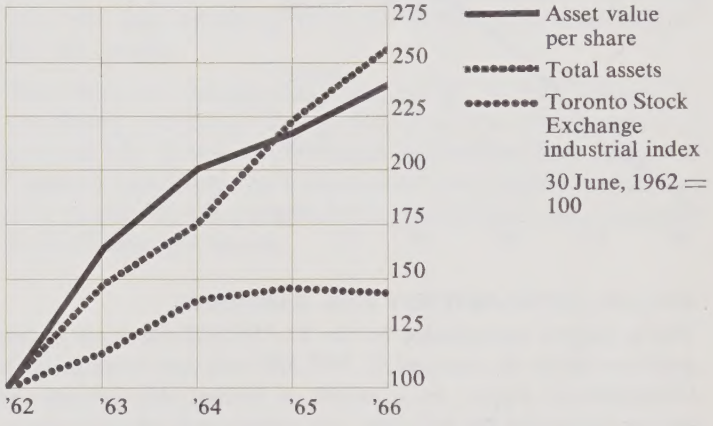
Developments Limited taken over by the new company; an investment of $750,000 in RoyWest Banking Corporation, a new financial institution serving the Caribbean area to which we referred in last year's annual report; and a $2,000,000 investment in Yorkshire Financial Corporation of British Columbia, which was reported to shareholders at our last Annual General Meeting. Other purchases made during the year included a further $1,080,000 in Capital Management Limited, bringing our total equity interest in this Company up to 84.7% from 74.1%, and additional investments of $740,000 and $2,853,000 respectively in Inspiration Limited and Canadian Interurban Properties Limited which bring our equity interests in these two companies to 63.6% and 65.2% respectively. In addition, as already reported to you, we purchased a further $1.3 million (U.S.) of debentures of Motels of Australia Limited, thereby completing our commitment of $4 million (U.S.).

Our major investment during the year, however, was in Laurentide Financial Corporation Ltd., in which we have been taking an increasing interest. Highly restrictive credit conditions, increasing competition from other lenders, and uncertainty about the finance industry as a result of the failure of two fairly sizeable companies in Canada and the United States have combined to make this a particularly difficult time for companies such as Laurentide. As a major shareholder, your Corporation has been helping Laurentide to build a new management team and to take the steps necessary to strengthen its financial structure and re-orient its efforts in more profitable directions. Our investment in Laurentide was increased by approximately $8 million by the purchase of: a $4 million medium term secured note; 158,677 common shares—both under a rights offering to shareholders and through the market; and 1,491,390 subordinated common shares, this latter purchase bringing our ownership of this class of shares to 100% of the total. Offsetting these purchases to some extent was the sale of our entire holding of 29,832 shares of Laurentide's convertible preferred shares.

Since the end of the Corporation's fiscal year, we have subscribed for $9 million of new subordinated convertible preferred shares of Laurentide – subsequently to be made available pro rata to other shareholders. The book value of our total investment in Laurentide securities – including secured notes—now stands at $21,145,401 or 9.8% of assets.

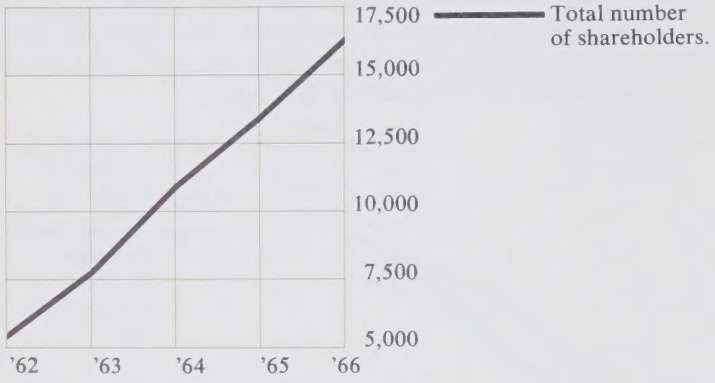
ASSETS AND ASSET VALUE OF SHARES

Reflecting both the increased first preferred share capitalization and the rise in market values of your investments during the year, the total assets of the Corporation reached a record of $214 million on June 30, 1966 as compared to $183 million a year earlier. There was also a 9.3% increase in the net asset value or "breakup value" of each common share which stood at $20.00 at the year end, up $1.70 from the previous year. The chart below shows the very satisfactory growth in total assets and the asset value since 1962; the Toronto Stock Exchange Industrial Index is also plotted for comparative purposes.



Despite the fact that since 1962 the asset value of your shares has risen 141% compared to 44.5% in the industrial averages (111% and 26.4% respectively if the figures are taken as of the end of September 1966), the discount placed by the stock market on these shares in relation to their underlying asset value widened during the year from 25.6% to 42.6%. It is considered that this discount is unreasonably large in relation to those that prevail for similar investment and development companies in other countries, particularly in view of the premium price which many of our large holdings in major companies would command were we to elect to dispose of them. However it is recognized that in the final analysis this discount will only be reduced when investors generally have been convinced by our investment performance that it is not justified. In pursuit of this aim, the Corporation will continue to concentrate its holdings in a reasonably diversified, but still restricted, list of securities which are believed to have unusual growth or recovery prospects over the intermediate and longer term. On this point, it should be noted that the best way to secure above average investment results and use the moderate leverage inherent in our capital structure is often to invest in situations which, for the time being, are out of favour with the investment public and therefore selling at values below their ultimate intrinsic worth.

The number of our shareholders rose to a gratifying new high of 16,384 during the year. The chart below shows the very great increase of investor interest over the last five years.



INCOME, EXPENDITURES AND EARNINGS

The principal contributor to the $1,700,000 increase in our gross revenues to a record $7,747,307 was our investment in Consolidated Paper; as a result of having this investment on our books for the full year, our revenues from it increased by $1,400,000 over the previous fiscal year. Lesser contributions to the increase in our investment income were made by Congoleum-Nairn and Canadian Industrial Gas & Oil, both of which substantially increased dividend payments during the year.

Revenue figures, like all data in this report, reflect the consolidation of Shawinigan Industries Limited, Power Corporation International Limited and Power Corporation Developments Limited since their activities in their specialized fields are in every way comparable to those of the parent Corporation. Subsidiary companies with activities outside the investment holding field are not consolidated because of the lack of comparability of their operations.

Management and general expenses increased by $243,000 during the year to $1,079,585; offsetting this to a small extent was an increase of approximately $30,000 in management fees received from associated and other companies. The main category of expense increase was salaries which reflected inclusion of Power Corporation International's Australian operations for a full year, and an increase in your Corporation's staff in order to enable it to devote more attention to the companies in which we have investments. Expenses also included a donation to the Pavilion on the United Nations at Expo '67. Interest charges were up $610,000 because certain bank loans were outstanding for a full year as against only three months in the previous fiscal year; the rates paid on such loans also increased as a result of prevailing credit conditions.

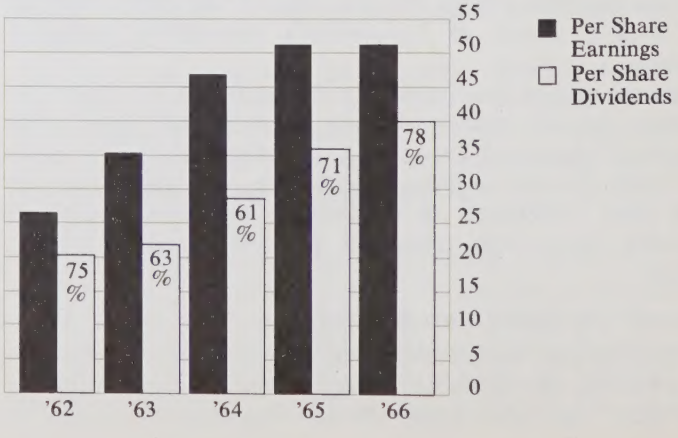
On balance, your Corporation's net earnings increased by almost $1,100,000 to $5,140,135. However, dividends on the new series 1st preferred shares amounted to $1,345,950 against $272,328 on the $6,000,000 of former 1st preferred that had been outstanding in the previous year. After allowing for the participation of the 6% non-cumulative secondary preferred shares in earnings, the amount available for the common shares was unchanged at $3.1 million.

DIVIDENDS AND DIVIDEND POLICY

Although the Corporation's reported earnings for the year were basically unchanged, its equity in the current earnings minus losses of the companies in which it holds investments (including the loss incurred in fiscal 1966 by Laurentide Financial Corporation Ltd.) were up from 55¢ per Power Corporation common share last year to 61¢ in the year ended on June 30, 1966.

In view of the fact that retained earnings in an investment holding company are such a small portion of its assets and therefore make a relatively small contribution to its growth, your directors have adopted the policy of paying out substantially all of the Corporation's net income in dividends. Dividends were accordingly raised from an annual rate of 36¢ a share in fiscal 1965 to a rate of 40¢ in fiscal 1966; since the end of the fiscal year a further increase to an indicated annual rate of 44¢ has been made. Some earnings will be retained under this policy but the Corporation's real growth will come about as a result of the companies represented in the portfolio themselves using their retained cash flows for constructive expansion.

The chart below records the dividends paid in the last five years and shows the percentage of earnings that have been distributed in each year.



Directors' Report

DIRECTORS AND OFFICERS

During the year, your board of directors accepted with great regret the retirement of the Honourable Robert Winters who resigned in December 1965 to become Minister of Trade and Commerce in the Federal Government. His position on the board was filled by W. I. M. Turner, Jr., then executive vice-president of the Company. After the close of the fiscal year, Maurice F. Strong, the president of the Company, tendered his resignation in view of his impending appointment as Director-General of Canada's External Aid Office. The board, in accepting Mr. Strong's retirement, passed the following resolution: "Resolved that this board accept with regret the resignation of Maurice F. Strong as president of the Corporation and that the board's warmest congratulations and good wishes be tendered to Mr. Strong on his appointment as Director-General of Canada's External Aid program. Resolved further that this board's appreciation be tendered to Mr. Strong for his services to the Corporation, which under his leadership has become an increasingly creative force in the Canadian investment community."

These formal words do not begin to convey the board's gratitude to Maurice Strong for his dynamic leadership, enthusiasm and public spiritedness. We wish him the greatest possible success in his new assignment, which marks yet another milestone in the distinguished career of a young man who has already given much to the public and business life of Canada.

The directors unanimously elected W. I. M. Turner, Jr., previously executive vice-president of the Corporation, to succeed Mr. Strong. Your board is confident that under Mr. Turner's leadership the Corporation will continue to achieve new records in the pursuit of its goal of investing creatively in the future of Canada.

On behalf of the Board,

Chairman

President

Montreal, October 24, 1966.

Power Corporation of Canada, Limited and Consolidated Subsidiary Companies

Assets

	1966	*1965*
INVESTMENTS:		
Quoted securities	$104,647,515	*$126,151,796*
Unquoted securities	12,083,181	*13,590,344*
Quoted shares of unconsolidated subsidiary companies	13,481,545	*307,988*
Unquoted shares of unconsolidated subsidiary companies	8,149,788	*775,764*
Unquoted debentures of unconsolidated subsidiary companies	7,001,681	*2,034,581*
	145,363,710	*142,860,473*
These investments had a combined value at June 30, 1966 of $186,248,306 (1965, $178,868,434) based on market values of quoted investments and book cost of others.		
ADVANCES TO TRUSTEES OF SHARE OPTION PLAN (note 3)	776,403	*713,571*
SHORT TERM NOTES AND DEPOSITS	25,692,359	
CASH AND RECEIVABLES	1,630,142	*3,393,671*
	$173,462,614	*$146,967,715*

ON BEHALF OF THE BOARD.

P. Thomson
DIRECTOR

W. Kim Turner Jr.
DIRECTOR

Auditors' Report to the Shareholders

We have examined the accompanying balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at June 30, 1966, and the statements of consolidated earnings and earned surplus and of consolidated investment reserve for the year ended on that date. Our examination of the financial statements of Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion the aforementioned financial statements together with the notes thereto present fairly the financial position of the corporation and its consolidated subsidiaries as at June 30, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart
CHARTERED ACCOUNTANTS

MONTREAL, OCTOBER 17, 1966.

Consolidated Balance Sheet as at June 30, 1966

(with comparative figures for 1965)

Liabilities

	1966	*1965*
CURRENT:		
Bank loans (secured)	$ 18,459,281	*$ 18,533,969*
Other bank loans and notes payable		*5,580,000*
Accounts payable and accrued expenses	845,325	*537,035*
Income taxes payable	111,306	*106,160*
	19,415,912	*24,757,164*
LONG TERM:		
3½ % debentures maturing September 1, 1967	4,500,000	*4,500,000*
5½ % debentures maturing March 1, 1977	4,875,000	*4,875,000*
	9,375,000	*9,375,000*
MINORITY INTEREST IN SUBSIDIARY COMPANY	11,061	*252,716*

Shareholders' Equity

CAPITAL STOCK		
First preferred shares of $50 par value issuable in series (note 4)		
Authorized – 2,000,000 shares		
Issued – 600,000 shares 4¾ % cumulative redeemable, 1965 Series	30,000,000	
First preferred shares of $50 par value issuable in series (note 4)		
Authorized – 300,000 shares		
Issued – 120,000 shares 4½ % cumulative redeemable		*6,000,000*
Six per cent non-cumulative participating preferred shares of $5 par value		
Authorized – 1,500,000 shares		
Issued – 1,194,570 shares	5,972,850	*5,972,850*
Common shares of no par value		
Authorized – 10,000,000 shares		
Issued – 6,198,550 shares	12,678,340	*12,678,340*
INVESTMENT RESERVE	84,600,919	*77,239,738*
EARNED SURPLUS	11,408,532	*10,691,907*
	144,660,641	*112,582,835*
	$173,462,614	*$146,967,715*

(the accompanying notes are an integral part of these statements)

Statement of Consolidated Earnings and Earned Surplus for the year ended June 30, 1966

(with comparative figures for 1965)

		1966		*1965*
INCOME FROM INVESTMENTS including $328,860 from unconsolidated subsidiaries		$ 7,480,467		*$ 5,790,242*
MANAGEMENT AND GENERAL EXPENSES	1,079,585		*836,272*	
LESS: Management fees received	266,840		*236,412*	
	812,745		*599,860*	
Debenture and other interest	1,527,587	2,340,332	*917,380*	*1,517,240*
		5,140,135		*4,273,002*
TAXES ON INCOME		—		*228,279*
NET EARNINGS		5,140,135		*4,044,723*
LESS: dividends on 4¾% 1st preferred shares 1965 Series		1,345,950		
4½% 1st preferred shares				*272,328*
BALANCE OF EARNINGS AVAILABLE FOR 6% PARTICIPATING PREFERRED AND COMMON SHARES		3,794,185		*3,772,395*
DEDUCT: DIVIDENDS				
6% non-cumulative participating preferred shares	477,828		*430,045*	
common shares	2,479,420	2,957,248	*2,231,478*	*2,661,523*
		836,937		*1,110,872*
EARNED SURPLUS — JULY 1		10,696,699		*9,585,827*
		11,533,636		*10,696,699*
Prior year's income taxes		(125,000)		—
Minority interest in surplus of subsidiary		(104)		*(4,792)*
EARNED SURPLUS — JUNE 30		$11,408,532		*$10,691,907*

(the accompanying notes are an integral part of these statements)

Statement of Consolidated Investment Reserve for the year ended June 30, 1966

(with comparative figures for 1965)

	1966	*1965*
BALANCE — JULY 1	$74,614,343	*$62,575,908*
ADD:		
Surplus realized on investment changes during the year	10,389,591	*10,946,059*
Surplus on revaluation of investments of a subsidiary		*1,385,721*
	85,003,934	*74,907,688*
DEDUCT:		
Cost absorbed under share option plan (note 3)	385,068	*183,290*
Improvements to leased premises and sundry	64,804	*110,055*
Commission and expenses of issuing first preferred shares, 1965 Series	2,374,745	
Premium on redemption of 4½ % 1st preferred shares	180,000	
	3,004,617	*293,345*
	81,999,317	*74,614,343*
MINORITY INTEREST IN INVESTMENT RESERVE OF A SUBSIDIARY	6,906	*188,525*
	81,992,411	*74,425,818*
EXCESS OF NET ASSETS OVER COST OF INVESTMENT IN SUBSIDIARIES	2,608,508	*2,813,920*
BALANCE — JUNE 30	$84,600,919	*$77,239,738*

(the accompanying notes are an integral part of these statements)

Notes to consolidated financial statements for the year ended June 30, 1966

1. The consolidated financial statements include the accounts of Power Corporation of Canada, Limited and its investment holding subsidiaries but do not include the accounts of its operating subsidiaries – Capital Management Limited, Laurentide Financial Corporation Ltd. (acquired February 7, 1966), Canadian Interurban Properties Limited (acquired October 29, 1965), Inspiration Limited (acquired June 28, 1966), Yorkshire Financial Corporation Limited (acquired October 29, 1965) and their subsidiaries.

2. The Corporation's proportion of the aggregate losses less profits of its unconsolidated subsidiaries for their 1966 fiscal periods amounted to $1,005,718. The Corporation's share of accumulated losses less profits of its unconsolidated subsidiaries since the respective dates of acquisition of control amounted to $1,196,886, which has not been provided for in the consolidated accounts.

3. Options have been granted from time to time to officers and employees to purchase common shares of the Corporation exercisable over various five-year periods at prices ranging from $5.00 to $14.50 per share. As at June 30, 1966, options had been granted on 236,875 shares of which 98,125 had been exercised. Since June 30, 1966, one option on 15,000 shares has been cancelled and a new option for 15,000 shares at $10.125 granted. The Trustees of the Stock Option Plan have purchased in the open market a total of 151,908 shares to satisfy these options from funds provided by the Corporation. The difference between the average cost of the shares for which options have been exercised and the amount receivable on options exercised has been charged to investment reserve each year.

4. The capital of the Corporation was altered during the year as follows:

a) the 120,000 4½% cumulative redeemable first preferred shares of $50 par value were redeemed for $6,180,000 on July 5, 1965.

b) the 300,000 first preferred shares of $50 par value were cancelled by Supplementary Letters Patent dated July 9, 1965, which also authorized the creation of 2,000,000 new first preferred shares of $50 par value issuable in series of which 600,000 were designated 4¾% cumulative redeemable first preferred shares, 1965 series, and issued on August 5, 1965, for a cash consideration of $30,000,000.

5. Foreign currencies have been converted into Canadian dollars at the rates prevailing on June 30, 1966.

6. The Corporation's contingent liability as at June 30, 1966 amounted to $1,000,000 in respect of guarantees given on behalf of an unconsolidated subsidiary company.

7. The total remuneration received by directors as directors and officers of the Corporation and its consolidated subsidiaries during the year ended June 30, 1966 amounted to $364,354.

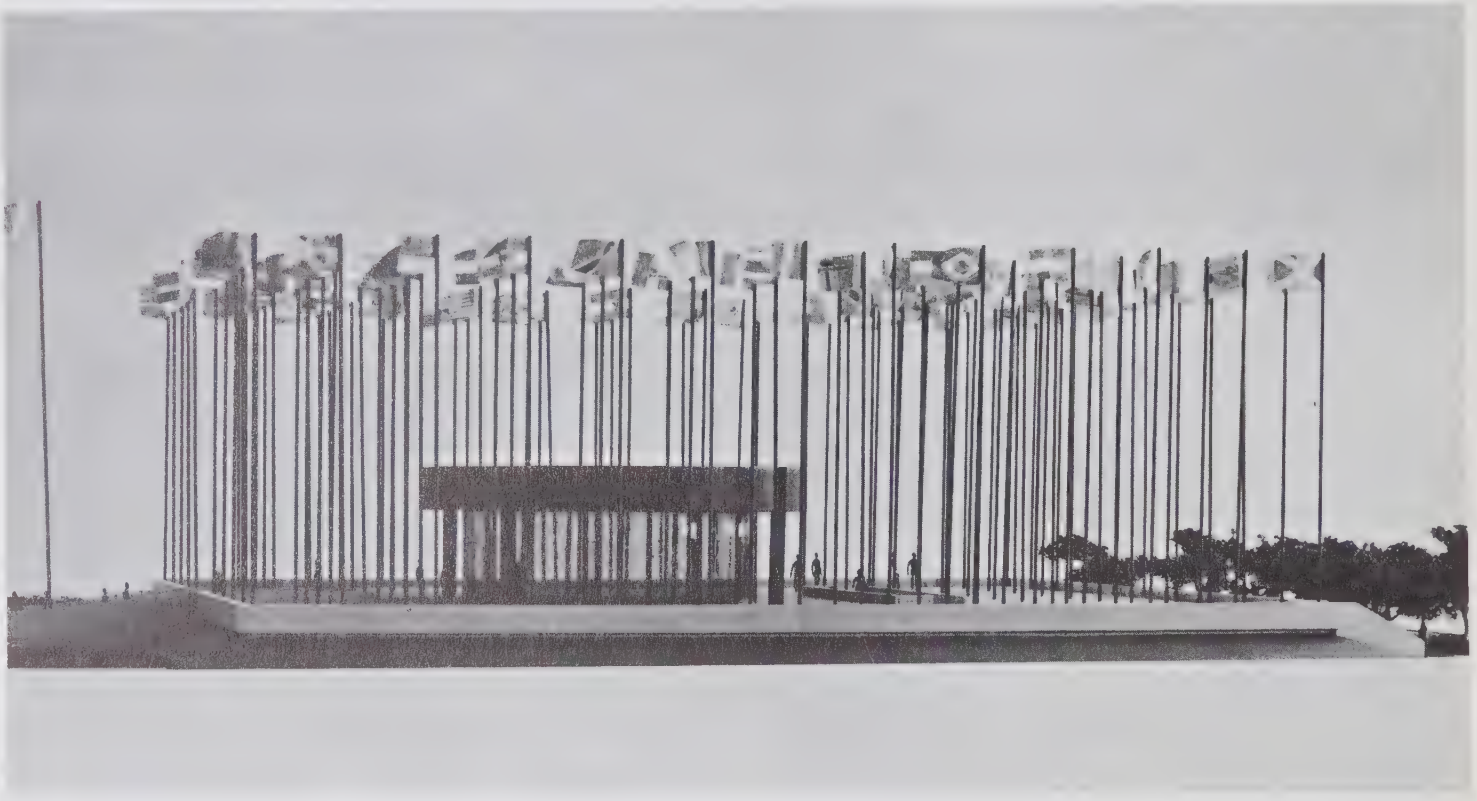
8. The Corporation and certain of its subsidiaries are defendants in a number of legal actions but legal counsel is of the opinion that the actions have no merit.

9. Subsequent to June 30, 1966, the Corporation purchased 500,000 shares of subordinated preferred shares of Laurentide Financial Corporation Ltd. for $9,000,000.

Consolidated Investment Portfolio as at June 30, 1966

Quoted Investments at Market Value Unquoted Investments at Book Cost	*Bonds, Debs. & Notes (par value)*	*Preferred Class & Class A Shares*	*Common Shares*		*Total Market Value or Book Cost*
			Number Held	*% of Outstanding*	
CHEMICALS — 7.38%					
Chemcell Limited			1,000,000	7.5	$13,750,000
CONSTRUCTION — 2.07%					
*Inspiration Limited	$1,000,000		1,674,556	63.6	3,846,745
FINANCE — 11.14%					
*Capital Management Limited	1,583,978	879,000	10,168	84.7	2,801,102
*Laurentide Financial Corporation Ltd.	4,460,000		3,297,000†	64.3	11,029,066
The Royal Bank of Canada			57,024	.8	4,177,008
RoyWest Banking Corporation Ltd.			250,000	4.0	754,122
*Yorkshire Financial Corporation Ltd.			200,000	66.6	2,000,000
MANUFACTURING — 10.18%					
Congoleum-Nairn Inc.			329,196	26.4	17,753,540
Dominion Glass Company Limited			80,000	3.7	1,200,000
OIL, GAS & PIPELINES — 18.32%					
Canadian Industrial Gas & Oil Limited		165,376			1,943,168
International Utilities Corporation			226,332	3.3	6,450,462
Northern and Central Gas Company Limited			1,978,776	21.1	25,724,088
PUBLIC UTILITIES — .80%					
British Newfoundland Corporation Limited			292,500	3.3	1,497,600
PULP & PAPER — 28.01%					
Bathurst Paper Limited		48,630	457,907	46.9	16,552,691
Consolidated Paper Corporation Limited			925,000	15.6	35,612,500
REAL ESTATE — 4.37%					
*Canadian Interurban Properties Limited			2,715,500	65.2	8,146,500
SERVICE — .74%					
Dominion Electric Protection Company Limited			3,969	49.0	1,379,527
TOURISM AND HOTELS — 2.31%					
Motels of Australia Limited Group of Companies	4,000,000 US				4,292,146
TRANSPORTATION — 11.44%					
Canada Steamship Lines, Limited		200,000	600,000	23.5	21,300,000
UNCLASSIFIED — 3.24%					
Bahamas-Caribbean Development Corp. Limited		500,000	27,900	1.9	1,286,270
North American Recreation Industries Ltd.		150,000	100,000	50.0	2,500,000
Other					2,251,771
					$186,248,306

*Unconsolidated subsidiary.
†Includes 3,000,000 Subordinated common shares.



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PRINTED IN CANADA

Power Corporation of Canada, Limited

Financial Report 1966

AR37

Power Corporation of Canada, Limited

Our Objective:

To Invest Creatively in Canada's Future

To accomplish this objective the policy of Power Corporation of Canada, Limited is to:

1. Make long-term equity investments in industries which have the potential for substantial growth and profitability.

2. Concentrate our holdings in a limited number of companies which are or can become leaders in their respective industries.

3. Develop and support competent, self-contained management in each company and assist that company to realize its full potential.

4. Encourage the development of improved management techniques and new technology, products and markets.

5. Invest primarily in Canada and in situations outside Canada which are related to Canadian interests and experience.

Power Corporation of Canada, Limited

BOARD OF DIRECTORS

*W. A. Arbuckle, C.A., *Chairman of the Canadian Board, Standard Life Assurance Company*

G. A. Burton, *President, Simpsons Limited*

Howard Butcher III, *Chairman, International Utilities Corporation*

J. E. L. Duquet, Q.C., *Senior partner, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston*

D. E. Kerlin, *President, Montreal Trust Company*

W. Earle McLaughlin, *Chairman and President, The Royal Bank of Canada*

*A. D. Nesbitt, *President, Nesbitt, Thomson and Company Limited*

Arthur Simard, Q.C., *Chairman, Marine Industries Limited*

*P. N. Thomson, *Chairman of the Corporation*

*W. I. M. Turner, Jr., *President of the Corporation*

R. L. Weldon, *Chairman, Bathurst Paper Limited*

*Members of the Executive Committee.

HONORARY DIRECTORS

R. R. Moodie
Jas. B. Woodyatt

OFFICERS

P. N. Thomson, *Chairman*
W. I. M. Turner, Jr., *President*
H. A. Hampson, *Vice-President*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*
G. W. Rutledge, *Assistant Vice-President*
B. Whitestone, *Assistant Vice-President*
A. F. Knowles, C.A., *Comptroller*
C. C. Frenette, *General Counsel*
P. E. Martin, *Assistant Secretary*

HEAD OFFICE

1 Place Ville Marie, Montreal, Canada

TRANSFER AGENTS & REGISTRARS

Montreal Trust Company, *Montreal, Toronto, Calgary, Vancouver*

STOCK LISTINGS

Common Shares: *Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges*

Participating Preferred Shares: *Canadian Stock Exchange*

First Preferred Shares: *Montreal and Toronto Stock Exchanges*

Power Corporation Developments Limited
(a subsidiary company)

OFFICERS

W. I. M. Turner, Jr., *Chairman*
J. A. Scott, *President*
G. W. Rutledge, *Vice-President and General Manager*
H. P. Milavsky, C.A., *Vice-President*
E. H. Peck, *Vice-President*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*

Power Corporation of Australia, Limited
(a subsidiary company)

OFFICERS

J. D. Wolfensohn, *Chairman*
W. I. M. Turner, Jr., *Deputy Chairman*
D. L. Elsworth, *Managing Director*
I. F. McLaren, *Executive Director*
I. R. Harper, *Secretary*

Financial Highlights

	6 Months to December 31, 1966	*12 Months to June 30, 1966*
INCOME AND EXPENDITURE ITEMS		
Total Income	$ 4,047,838	*$ 7,747,307*
Expenses, excluding interest	623,112	*1,079,585*
as % of assets	.61%	*.50%*
Interest Expense	843,302	*1,527,587*
Net Earnings	2,533,024	*5,140,135*
1st Preferred Dividends	710,808	*1,345,950*
Earned per Common Share[1] (6,198,550 shares outstanding)	25¢	*51¢*
Paid per Common Share	22¢	*40¢*
BALANCE SHEET ITEMS		
Total assets, at market	202,261,929	*214,347,210*
of which, liquid assets	17,198,353	*27,322,501*
Bank Loans, Notes and Debentures	26,959,281	*18,459,281*
Long Term Debt	5,750,000	*9,375,000*
1st Preferred Shares	29,857,500	*30,000,000*
Breakup Value per Common Share	16.65	*20.00*
INVESTMENT TRANSACTIONS		
Acquisitions[2]	15,711,529*	*22,691,811*
Disposals	729,701	*30,623,456*
Net gain realized on disposals[3]	258,368	*10,389,591*

(1) After giving effect to rights of 6% participating preferred shares, but excluding the Corporation's equity in the undistributed earnings of companies in which investments are held.

(2) Excluding $15,365,470 being the value of shares received in share exchange transactions.

(3) Credited directly to investment reserve.

*Includes acquisition of 500,000 subordinated preferred shares of Laurentide Financial Corporation Ltd. mentioned in last annual report.

Directors' Report

The directors have pleasure in submitting to Shareholders their 42nd Financial Report and the audited financial statements of the Corporation and its consolidated subsidiary companies for the six months ended December 31, 1966. These are to be presented to the General Meeting of Shareholders to be held in the Auditorium, Floor M2, the Royal Bank of Canada Building, Place Ville Marie, Montreal, on Monday, May 29, 1967 at 10:30 a.m.

At the last Annual Meeting the shareholders sanctioned a change in the fiscal year end of the Company from the 30th of June to the 31st of December. This report, therefore, covers only a six month period, the financial highlights for which are set out on the opposite page.

Earnings for the six month period amounted to 25 cents per common share. Had the Corporation's proportion of the undistributed earnings of all companies in which it has major investments been added to these, our total earnings for the six months would have amounted to 43 cents per share.

Our wholly-owned investment subsidiary, Shawinigan Industries Limited has issued $4 million of short term income debentures since the year end bringing the total outstanding to $8 million. Part of the proceeds of this issue together with some of our short term investments and deposits, have been used to reduce our bank loans by $9,800,000 from the December 31st figure. Our liquid assets stood at $11,780,000 on March 31st.

Reflecting the strengthening of general markets, our net asset value per common share on March 31st was $18.80 compared to $16.65 on December 31st. For purposes of this calculation, our holdings of Laurentide Financial Corporation subordinated common and convertible subordinated preferred have been valued on a basis related to the market price of the Laurentide common shares into which they are ultimately convertible.

Quarterly dividends continue to be paid at the rate of 11 cents per share established in September 1966.

Turning now to a review of developments since the Annual Meeting last November, we are pleased to report that the merger of Consolidated Paper Corporation Limited and Bathurst Paper Limited is proceeding satisfactorily. As a result, our position in the pulp and paper industry has been strengthened considerably. Your company's holdings in Consolidated Paper Corporation now consist of 285,000 warrants, 555,167 convertible preferred shares and 925,000 common shares or 15.6% of the voting stock.

On March 16th, Laurentide Financial Corporation announced the sale, effective December 31st, 1966, of its U.S. consumer loan operations to C.I.T. Financial Corporation. In addition to strengthening Laurentide's liquid position by removing the source of its recent losses, the sale will enable the latter company's management to concentrate on the long term growth of the company's already profitable Canadian activities. It will, however, be some time before dividends on Laurentide's preferred and common shares are resumed. The reduction in Power Corporation's income stemming from the interruption of these dividends has been largely offset by the increased revenue from the Consolidated Paper preferred shares which we acquired in the exchange of our holdings of Bathurst common stock.

Northern & Central Gas Company recently completed a successful tender for approximately 60% of the total issued common shares of Quebec Natural Gas Corporation. This acquisition gives Northern & Central, which has become a major integrated energy corporation, access to one of the great industrial and residential markets of Canada — metropolitan Montreal. The company now has a gas distribution system stretching over 1,500 miles from Winnipeg to Montreal.

Power Corporation has submitted to the appropriate Governmental authorities, in cooperation with Niagara Television Limited, a proposal for a third national television network involving the use of a domestic space satellite system with transmission in both the English and French languages. As you will recall, we have also put forth a proposal for a Canadian company that would take advan-

tage of the opportunities presented by the developments occurring in space satellite technology. We are now awaiting government policy decisions affecting these projects.

North American Cinema Centers, in which North American Recreation Industries has a 50% interest, recently signed an agreement with National General Corporation, one of the largest motion picture exhibition companies in the United States, to form a new Canadian Company, National General Cinemas. This new company plans to operate a chain of movie theatres to be located primarily in shopping centers. To date, four theatres have been opened.

P. Lawson Travel Limited recently acquired a 60% interest in Bel-Air Travel Inc., a travel agency with offices in Montreal, Quebec and Paris, operating primarily in the international field.

Following the acquisition of over 99% of the outstanding shares of Boyles Bros. Drilling Company Ltd. of Vancouver, Inspiration Limited's operations have been reorganized into three operating units — manufacturing, mining services and construction. The acquisition has significantly changed the nature of Inspiration's earning power. On a pre-tax basis, mining services and manufacturing now represent about 60% of earnings and construction somewhat less than 40% compared to 30% and 70% respectively in the previous year.

Canadian Interurban Properties has acquired, the real estate development company, William Teron Limited and has secured the services of Mr. Teron and his organization. Among the Teron interests is the projected city of Kanata, a 3,000 acre development near Ottawa.

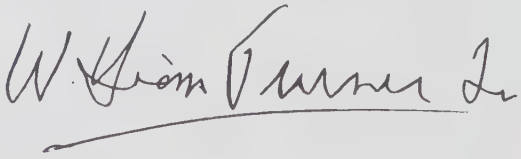
Our wholly-owned subsidiary in Australia, Power Corporation Australia Limited, has acquired a 90% interest in the Liverpool Plains Pty. Company, a 19,000 acre sheep ranch in New South Wales. Motels of Australia, in which we have a U.S. $4 million investment, recently concluded an agreement with Trust Houses of England enabling Motels of Australia to expand considerably its chain, already Australia's largest.

We would like to take this opportunity to welcome Mr. G. Allan Burton, President of Simpsons Limited, who was elected to the Board of Directors on December 19th last.

While this report covers only six months, it has been a most active period in your company's affairs. The demands on the personnel have been great, and we sincerely thank them for the enthusiasm and ability which they have displayed on your behalf.

On behalf of the Board,

Chairman



President

Montreal, April 24th, 1967.

Consolidated Investment Portfolio as at December 31, 1966

Quoted Investments at Market Value Unquoted Investments at Cost	Bonds, Debs. and Notes (par value)	Preferred Shares	Common Shares Number held	Common Shares % of out-standing	Total
CHEMICALS - 7.12%					
Chemcell Limited			1,000,000	7.5	$ 12,500,000
FINANCE - 11.04%					
*Capital Management Limited	1,594,546	890,000	10,303	85.8	2,820,086
*Laurentide Financial Corporation Ltd.	4,460,000	500,000	3,297,000	64.3	9,860,816(1)
*Yorkshire Financial Corporation Ltd.			200,000	65.6	2,000,000
The Royal Bank of Canada			57,024	0.8	3,948,912
RoyWest Banking Corporation Ltd.			250,000	4.0	754,122
MANUFACTURING - 9.75%					
Congoleum-Nairn Inc.			658,392	25.9	12,213,172
Dominion Glass Company Ltd.			80,000	3.7	969,600
*Inspiration Limited	1,000,000		1,674,556	52.2	3,930,473
OIL AND GAS - 19.19%					
Canadian Industrial Gas & Oil Ltd.		165,376			1,880,325
International Utilities Corporation			226,332	3.3	5,601,717
Northern & Central Gas Company Ltd.			1,978,776	18.0	26,218,782
PULP AND PAPER - 28.77%					
Consolidated Paper Corporation Ltd.		555,167	925,000	15.6	50,515,470(2)
REAL ESTATE - 3.87%					
*Canadian Interurban Properties Ltd.			2,715,500	65.2	6,788,750
TOURISM AND HOTELS - 5.07%					
Motels of Australia Limited Group of Companies	4,000,000 US				4,292,146
Bahamas-Caribbean Development Corp.		500,000	1,815,190	40.7	1,861,393
North American Recreation Industries Ltd.		165,000	110,000	50.0	2,750,000
TRANSPORTATION - 10.48%					
Canada Steamship Lines Limited		200,000	600,000	23.4	18,400,000
UNCLASSIFIED - 4.71%					
Dominion Electric Protection Company			3,969	49.0	677,675
Quebec Telemedia Inc.	2,300,000		50,000	50.0	2,350,000
Other					5,230,137
					$175,563,576

*Unconsolidated Subsidiary.

Notes:

(1) Includes 3,000,000 subordinated common shares and 500,000 subordinated $1.80 preferred shares valued on a basis related to the market price of the common shares which results in a reduction from cost of $9,500,000.

(2) Includes the value of 285,000 warrants to purchase common shares at $40.00 per share.

Consolidated Balance Sheet as at December 31, 1966

Assets

	December 31 1966	*June 30 1966*
INVESTMENTS — AT COST:		
Quoted securities (Market value $134,362,258 — June 30, $146,109,749)	$105,952,948	*$104,647,515*
Unquoted securities	14,933,267	*12,083,181*
Unconsolidated subsidiary companies		
Quoted securities (Market value $10,981,473 — June 30, $12,923,745)	13,481,545	*13,481,545*
Unquoted securities	24,786,578	*15,151,469*
	159,154,338	*145,363,710*
ADVANCES TO TRUSTEES OF SHARE OPTION PLAN (NOTE 4)	558,462	*776,403*
SHORT TERM NOTES AND DEPOSITS — AT COST WHICH APPROXIMATES MARKET VALUE	15,222,707	*25,692,359*
CASH AND RECEIVABLES	1,975,646	*1,630,142*
	$176,911,153	*$173,462,614*

On behalf of the Board:
P. N. Thomson, Director; W. I. M. Turner, Jr., Director.

Auditors' Report to the Shareholders

We have examined the accompanying balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1966, and the statements of consolidated earnings and earned surplus and of consolidated investment reserve for the six months ended on that date. Our examination of the financial statements of Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion the aforementioned financial statements together with the notes thereto present fairly the financial position of the corporation and its consolidated subsidiaries as at December 31, 1966, and the results of their operations for the six months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart

Chartered Accountants.

Montreal, April 24, 1967.

Liabilities

	December 31 1966	*June 30 1966*
CURRENT:		
Bank loans (secured)	$ 18,459,281	*$ 18,459,281*
Accounts and notes payable	1,948,617	*845,325*
Income taxes payable	132,894	*111,306*
3½% debentures maturing September 1, 1967	4,500,000	*4,500,000*
5½% secured income debentures of a subsidiary maturing November 7, 1967	3,000,000	—
	28,040,792	*23,915,912*
LONG TERM:		
5½% secured income debentures of a subsidiary maturing May 6, 1968	1,000,000	—
5½% debentures maturing March 1, 1977	4,750,000	*4,875,000*
	5,750,000	*4,875,000*
MINORITY INTEREST IN SUBSIDIARY COMPANY	3,336	*11,061*

Shareholders' Equity

CAPITAL STOCK:		
First preferred shares of $50 par value issuable in series (note 5)		
Authorized — 1,997,150 shares		
Issued — 597,150 shares 4¾% cumulative redeemable 1965 series	29,857,500	*30,000,000*
Six per cent non-cumulative participating preferred shares of $5 par value		
Authorized — 1,500,000 shares		
Issued — 1,194,570 shares	5,972,850	*5,972,850*
Common shares of no par value		
Authorized — 10,000,000 shares		
Issued — 6,198,550 shares	12,678,340	*12,678,340*
INVESTMENT RESERVE	83,141,573	*84,600,919*
EARNED SURPLUS	11,466,762	*11,408,532*
	143,117,025	*144,660,641*
	$176,911,153	*$173,462,614*

The accompanying notes are an integral part of this statement.

Statement of Consolidated Earnings and Earned Surplus for the six months ended December 31, 1966

	Six Months Ended December 31, 1966		*Year Ended June 30, 1966*	
INCOME FROM INVESTMENTS		$ 3,930,868		*$ 7,480,467*
Including $346,875 (June 30, $328,860) from unconsolidated subsidiaries				
MANAGEMENT AND GENERAL EXPENSES	$ 623,112		*$ 1,079,689*	
Less: Management fees received	116,970		*266,840*	
	506,142		*812,849*	
DEBENTURE AND OTHER INTEREST	843,302	1,349,444	*1,527,587*	*2,340,436*
		2,581,424		*5,140,031*
TAXES ON INCOME		48,400		—
NET EARNINGS		2,533,024		*5,140,031*
Less: Dividends on 4¾% 1st preferred shares 1965 series		710,808		*1,345,950*
BALANCE OF EARNINGS AVAILABLE FOR 6% PARTICIPATING PREFERRED AND COMMON SHARES		1,822,216		*3,794,081*
Deduct: Dividends				
6% non-cumulative participating preferred shares	262,805		*477,828*	
Common shares	1,363,681	1,626,486	*2,479,420*	*2,957,248*
		195,730		*836,833*
EARNED SURPLUS — JULY 1		11,408,532		*10,696,699*
		11,604,262		*11,533,532*
Prior year's income taxes		(137,500)		*(125,000)*
EARNED SURPLUS — DECEMBER 31 (JUNE 30)		$11,466,762		*$11,408,532*

The accompanying notes are integral part of this statement.

Statement of Consolidated Investment Reserve for the six months ended December 31, 1966

	Six Months Ended December 31, 1966	*Year Ended June 30, 1966*
BALANCE — JULY 1	$81,999,317	*$74,614,343*
ADD:		
Surplus realized on investment changes during the period	258,368	*10,389,591*
Discount on purchase for cancellation of first preferred shares and 5½% debentures	31,923	—
	82,289,608	*85,003,934*
DEDUCT:		
Cost absorbed under share option plan (Note 4)	414,598	*385,068*
Office furniture and improvements to leased premises	39,109	*64,804*
Commission and expenses of issuing first preferred shares, 1965 series	—	*2,374,745*
Commission and expenses of issuing income debentures of a subsidiary	22,200	—
Premium on redemption of 4½% 1st preferred shares	—	*180,000*
Reversal of surplus on revaluation of investments of a subsidiary	1,293,872	—
	1,769,779	*3,004,617*
	80,519,829	*81,999,317*
EXCESS OF NET ASSETS OVER COST OF INVESTMENTS IN SUBSIDIARIES	2,621,744	*2,601,602*
BALANCE — DECEMBER 31 (JUNE 30)	$83,141,573	*$84,600,919*

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements for the six months ended December 31, 1966

1. The consolidated financial statements include the accounts of Power Corporation of Canada, Limited and its investment holding subsidiaries but do not include the accounts of its operating subsidiaries — Capital Management Limited, Laurentide Financial Corporation Ltd., Canadian Interurban Properties Limited, Inspiration Limited, Yorkshire Financial Corporation Limited, Liverpool Plains Pastoral Company Pty. Limited and their subsidiaries.

2. Foreign currencies have been converted to Canadian dollars at the rate prevailing on December 31, 1966.

3. The Corporation's proportion of the aggregate losses less profits of its unconsolidated subsidiaries for their 1966 fiscal periods as shown by their last audited financial statements amounted to $543,501. The Corporation's share of accumulated losses less profits of its unconsolidated subsidiaries since the respective dates of acquisition of control amounted to $461,175, which has not been provided for in the consolidated accounts.

4. Options have been granted from time to time to officers and employees to purchase common shares of the Corporation exercisable over various five-year periods at prices ranging from $5.00 to $14.50 per share. As at December 31, 1966, options had been granted on 257,500 shares of which 162,625 had been exercised and 24,125 either cancelled or not exercised. The Trustees of the Stock Option Plan have purchased in the open market a total of 192,708 shares to satisfy these options from funds provided by the Corporation. The difference between the average cost of the shares for which options have been exercised and the amount receivable on options exercised has been charged to the investment reserve.

5. During the six months 2,850 first preferred 1965 series shares of $50 par value were purchased and cancelled and thus both authorized and issued shares have been reduced accordingly.

6. The Corporation's contingent liability as at December 31, 1966 amounted to $1,495,000 in respect of guarantees given on behalf of unconsolidated subsidiary companies.

7. The total remuneration received by directors as directors and officers of the Corporation and its consolidated subsidiaries including their share of the cost of the share option plan during the six months ended December 31, 1966 amounted to $135,579; in addition $4,500 was received from unconsolidated subsidiaries.

8. A subsidiary of an unconsolidated subsidiary is defendant in law suits arising out of a management agreement. Legal counsel is of the opinion that such law suits are unfounded. The same subsidiary is defendant in a law suit arising out of an insurance agreement. A counterclaim has been made and management considers that the company's possible net liability is immaterial.

Notes relatives aux états financiers consolidés pour les six mois terminés le 31 décembre 1966

1. Les états financiers consolidés comprennent les comptes de Power Corporation of Canada, Limited et de ses filiales qui sont des compagnies de placements mais ne comprennent pas les comptes de ses filiales qui sont des compagnies d'exploitation — Capital Management Limited, Laurentide Financial Corporation Ltd., Canadian Interurban Properties Limited, Inspiration Limited, Yorkshire Financial Corporation Limited, Liverpool Plains Pastoral Company Pty. Limited et leurs filiales.

2. Les devises étrangères ont été converties en dollars canadiens aux cours approximatifs du 31 décembre 1966.

3. La part de la Compagnie dans l'ensemble des pertes moins profits de ses filiales non consolidées pour leurs exercices fiscaux clos en 1966 est $543,501 tel qu'indiqué aux états financiers vérifiés. La part de la Compagnie des pertes accumulées moins profits depuis les dates respectives d'acquisition de ses filiales non consolidées est $461,175, dont aucune provision est faite dans les comptes consolidés.

4. Des options ont été accordées de temps en temps au personnel de direction et aux employés leur permettant, durant diverses périodes de cinq années, d'acheter des actions ordinaires de la Compagnie à des prix variant de $5.00 à $14.50 l'action. Au 31 décembre 1966, des options avaient été accordées pour 257,500 actions dont 162,625 avaient été souscrites et 24,125 qui ont été annulées ou n'ont pas été souscrites. Afin de pourvoir aux exigences de ces options, les fiduciaires du Plan d'options sur actions, employant les fonds de la Compagnie destinés à cette fin, ont acheté sur le marché un total de 192,708 actions. La différence entre le coût moyen des actions souscrites au moyen d'options et le montant à recevoir à ce titre a été imputée à la réserve pour placements.

5. Pendant les six mois, la Compagnie a racheté et annulé 2,850 actions privilégiées prioritaires, série 1965, d'une valeur au pair de $50, et a réduit d'autant le nombre de ses actions autorisées et celui de ses actions émises.

6. La Compagnie, au 31 décembre 1966, a des passifs éventuels s'élevant à $1,495,000 découlant des garanties données en faveur de filiales non consolidées.

7. La rémunération globale payée aux administrateurs qui sont administrateurs ou officiers de la Compagnie et de ses filiales consolidées, y compris leur part bénéficiaire du coût du système d'options sur actions, pendant les six mois terminés le 31 décembre 1966 est $135,579; ils ont en outre reçu $4,500 de filiales non consolidées.

8. La filiale de l'une de nos filiales non-consolidées est défenderesse dans des poursuites judiciaires relatives à un contrat de gérance. Notre conseiller juridique est d'opinion que ces poursuites judiciaires n'ont aucun fondement. Cette filiale est également défenderesse dans une poursuite basée sur un contrat d'assurance. Une contre-réclamation fut déposée et les administrateurs estiment que les obligations qui peuvent en résulter demeurent sans conséquence pour la Compagnie.

État du portefeuille de placements consolidés au 31 décembre 1966

Les titres cotés sont inscrits à leur valeur négociable Les titres non cotés, au prix coûtant	Obligations, débentures, billets (valeur au pair)	Actions privilégiées	Actions Ordinaires Nombre en mains	Actions Ordinaires % des actions en circulation	Total
PRODUITS CHIMIQUES - 7.12%					
Chemcell Limited			1,000,000	7.5	$ 12,500,000
FINANCES - 11.04%					
*Capital Management Limited	1,594,546	890,000	10,303	85.8	2,820,086
*Laurentide Financial Corporation	4,460,000	500,000	3,297,000	64.3	9,860,816(1)
*Yorkshire Financial Corporation Ltd.			200,000	65.6	2,000,000
Banque Royale du Canada			57,024	0.8	3,948,912
RoyWest Banking Corporation Ltd.			250,000	4.0	754,122
INDUSTRIES MANUFACTURIÈRES - 9.75%					
Congoleum-Nairn Inc.			658,392	25.9	12,213,172
Dominion Glass Company Limited			80,000	3.7	969,600
*Inspiration Limited	1,000,000		1,674,556	52.2	3,930,473
PÉTROLE, GAZ NATUREL - 19.19%					
Canadian Industrial Gas & Oil Limited		165,376			1,880,325
International Utilities Corporation			226,332	3.3	5,601,717
Northern & Central Gas Company Limited			1,978,776	18.0	26,218,782
PÂTES ET PAPIERS - 28.77%					
Consolidated Paper Corporation Limited		555,167	925,000	15.6	50,515,470(2)
IMMOBILIER - 3.87%					
*Canadian Interurban Properties Limited			2,715,500	65.2	6,788,750
TOURISME ET HÔTELS - 5.07%					
Motels of Australia Limited Group of Companies	4,000,000 US				4,292,146
Bahamas-Caribbean Development Corp. Limited		500,000	1,815,190	40.7	1,861,393
Les Industries de Récréation Nord-Américaines Limitée		165,000	110,000	50.0	2,750,000
TRANSPORTS - 10.48%					
Canada Steamship Lines, Limited		200,000	600,000	23.4	18,400,000
DIVERS - 4.71%					
Dominion Electric Protection Company			3,969	49.0	677,675
Quebec Telemedia Inc.	2,300,000		50,000	50.0	2,350,000
Autres compagnies					5,230,137
					$175,563,576

*Filiale non consolidée.

Notes.

1. Dont 3,000,000 d'actions ordinaires subordonnées et 500,000 d'actions privilégiées subordonnées, $1.80 évaluées suivant une formule reliée au cours des actions ordinaires résultant en une réduction du coût de $9,500,000.
2. Incluant la valeur des 285,000 warrants pour l'achat d'actions ordinaires à $40 l'action.

mettrait en anglais et en français. Vous vous souviendrez peut-être que nous avons aussi offert de fonder au Canada une société qui ferait bénéficier le pays des progrès accomplis dans les techniques des satellites. Nous attendons maintenant que le gouvernement fixe sa politique dans ce domaine.

North American Cinema Centers, dont North American Recreation Industries possède 50% des actions, a récemment signé un accord avec la National General Corporation, l'une des plus importantes sociétés de présentation de films aux États-Unis; cet accord prévoit la création d'une nouvelle société canadienne, la National General Cinemas. La nouvelle entreprise mettra en opération une chaîne de cinémas dont la plupart seront situés dans des centres d'achats. Elle en a déjà ouvert quatre.

P. Lawson Travel Limited, a récemment acheté 60% des actions de Bel-Air Travel Inc., agence de voyages qui possède des bureaux à Montréal, à Québec et à Paris, et dont les activités se concentrent sur les transports internationaux.

A la suite de la transaction qui lui a apporté plus de 99% des actions en circulation de Boyles Bros. Drilling Company Ltd. de Vancouver, la société Inspiration Limited a réorganisé ses structures et créé trois divisions d'exploitation: fabrication, exploitation minière et construction. L'acquisition de Boyles Bros. a considérablement modifié la répartition des activités d'Inspiration; avant impôts, les sources de bénéfices se répartissent à peu près comme suit: 60% pour l'exploitation minière et la fabrication, et un peu moins de 40% pour la construction; auparavant, ces pourcentages étaient respectivement de 30% et de 70%.

Canadian Interurban Properties a racheté les avoirs de la compagnie de développements d'immeubles, William Teron Limited et s'est assuré les services de M. Teron et de son organisation. Ces avoirs comprennent entre autres un projet de ville — Kanata — un lotissement de 3,000 acres près d'Ottawa.

La Power Corporation Australia Limited, filiale que nous possédons en toute propriété en Australie, a racheté 90% des actions de Liverpool Plains Pty. Company, propriétaire d'une exploitation de 19,000 acres affectés à l'élevage des moutons, en Nouvelle-Galles-du-Sud. Motels of Australia, société dans laquelle nous avons investi 4,000,000 de dollars américains, a récemment conclu un accord avec Trust Houses of England et considérablement étendu sa chaîne de motels, qui est déjà la plus importante d'Australie.

C'est avec plaisir que nous souhaitons officiellement la bienvenue à M. G. Allan Burton, président de Simpsons Limited, qui, le 19 décembre dernier, a été élu à l'unanimité membre du conseil d'administration.

Bien que la période couverte par le présent compte-rendu n'ait été que de 6 mois, cet exercice a été extrêmement actif. Le personnel de la maison a dû travailler avec acharnement; aussi le remercions-nous sincèrement pour l'enthousiasme et la compétence qu'il a manifestés.

Pour le conseil d'administration,

Président du conseil

Président

Montréal, 24 avril 1967

Rapport du conseil d'administration

Le conseil d'administration a le plaisir de soumettre aux actionnaires son 42ième rapport financier, ainsi que les états financiers vérifiés de la Corporation et de ses filiales pour les six mois terminés le 31 décembre 1966. Ces documents seront présentés à l'assemblée générale des actionnaires qui se tiendra le lundi 29 mai 1967, à 10 heures et demie du matin, en l'auditorium de l'étage M-2 de l'édifice de la Banque Royale du Canada, Place Ville-Marie, à Montréal.

Lors de leur dernière assemblée annuelle ordinaire, les actionnaires ont sanctionné le changement de la date de clôture de l'exercice financier de la compagnie, du 30 juin au 31 décembre. Le présent rapport ne porte donc que sur un exercice de 6 mois. On trouvera ci-contre les chiffres les plus marquants de cette période.

Pour l'exercice de 6 mois, les bénéfices se sont élevés à 25 cents par action ordinaire. Si la quote-part revenant à la société sur les bénéfices non répartis de toutes les entreprises dans lesquelles elle a investi des sommes importantes avaient été ajoutées aux bénéfices comptabilisés, les bénéfices totaux pour les 6 mois auraient atteint le chiffre de 43 cents par action.

Shawinigan Industries Limited, filiale en toute propriété de notre société, a émis $4 millions de débentures à court terme, portant intérêt, depuis la fin de l'exercice. Le total des débentures en circulation est donc maintenant de $8 millions. Une partie du produit de cette émission a été utilisée, avec une partie des investissements et dépôts à court terme, pour réduire à $9,800,000 les avances faites par la banque avant le 31 décembre. Nos liquidités s'établissaient à $11,780,000 au 31 mars.

Parallèlement à la reprise générale du marché, la valeur comptable nette de nos actions ordinaires au 31 mars s'établissait à $18.80 contre $16.65 au 31 décembre. Pour établir ces chiffres, les actions ordinaires subordonnées et les actions privilégiées subordonnées convertibles de Laurentide Financial Corporation qui figurent à notre portefeuille ont été évaluées à des chiffres équitables par rapport à la valeur au marché des actions ordinaires de Laurentide pour lesquelles elles pourront plus tard être échangées.

Les dividendes trimestriels ont été maintenus à 11¢ par action, tel que fixé en septembre 1966.

Passons maintenant en revue les principaux événements qui se sont produits depuis la dernière assemblée ordinaire des actionnaires, en novembre dernier. Nous sommes heureux de confirmer que la fusion entre Consolidated Paper Corporation Limited et Les Papeteries Bathurst Limitée est en bonne voie de réalisation. Cette entente a considérablement renforcé notre position dans l'industrie des pâtes et papiers. Votre société a maintenant en portefeuille 285,000 warrants, 555,167 actions privilégiées convertibles, et 925,000 actions ordinaires, soit 15.6 pour cent des actions votantes de Consolidated Paper Corporation.

Le 16 mars, la Laurentide Financial Corporation a annoncé qu'elle a vendu à la CIT Financial Corporation la partie américaine de ses activités de prêts aux particuliers; la cession a eu lieu le 31 décembre 1966. Cette transaction a consolidé la liquidité de la Laurentide en éliminant la cause des pertes qu'elle a récemment enregistrées; de plus, la direction pourra concentrer ses efforts sur l'extension à long terme des activités déjà profitables de l'entreprise au Canada. Il s'écoulera néanmoins quelque temps avant que la Laurentide puisse verser à nouveau des dividendes sur ses actions privilégiées et ordinaires. La diminution des revenus dont a souffert la Power Corporation par suite de l'interruption de ces dividendes a été largement compensée par les dividendes encaissés sur les actions privilégiées de la Consolidated Paper que nous avons reçues en échange pour nos actions ordinaires de la Bathurst.

L'offre que la Northern & General Gas Company avait faite pour acheter 60% de toutes les actions ordinaires en circulation de la Corporation de Gaz Naturel du Québec a récemment été acceptée. La Northern & Central est maintenant l'une des grandes entreprises intégrées de production d'énergie; cette nouvelle transaction lui ouvre l'un des marchés industriels et domestiques les plus importants du Canada, celui de l'agglomération de Montréal. Le réseau de distribution de gaz de l'entreprise s'étend maintenant sur plus de 1,500 milles, de Winnipeg à Montréal.

En collaboration avec Niagara Television Limited, Power Corporation a proposé aux pouvoirs publics concernés de créer un troisième réseau national de télévision utilisant un système de satellites canadiens; ce réseau trans-

Aperçus financiers

	Les six mois terminés 31 décembre 1966	*L'année terminée 30 juin 1966*
REVENUS ET DÉPENSES		
Revenus	$ 4,047,838	*$ 7,747,307*
Rapport des dépenses, excluant intérêts	623,112	*1,079,585*
à l'actif net	.61%	*.50%*
Intérêts	843,302	*1,527,587*
Revenus nets	2,533,024	*5,140,135*
Dividendes sur actions privilégiées prioritaires	710,808	*1,345,950*
Bénéfice net par action ordinaire[1]	25¢	*51¢*
(6,198,550 actions émises)		
Dividende par action ordinaire	22¢	*40¢*
BILAN		
Total de l'actif, au cours du marché	202,261,929	*214,347,210*
y compris valeurs disponibles	17,198,353	*27,322,501*
Emprunts bancaires, billets et débentures	26,959,281	*18,459,281*
Dette à long terme	5,750,000	*9,375,000*
Actions privilégiées prioritaires	29,857,500	*30,000,000*
Valeur de liquidation par action ordinaire	16.65	*20.00*
MOUVEMENTS DE PLACEMENTS		
Acquisitions[2]	15,711,529*	*22,691,811*
Ventes	729,701	*30,623,456*
Excédent net réalisé sur ventes[3]	258,368	*10,389,591*

(1) Déduction faite des droits relatifs aux actions privilégiées participantes, 6% cumulatif, mais excluant la quote-part de la Société dans les bénéfices non répartis des sociétés dans lesquelles elle détient une participation.

(2) Excluant $15,365,470, représentant la valeur d'actions acquises par voies de fusion, "takeover" ou autres transactions de nature semblable.

(3) Ajouté au compte de réserve pour placements.

*Comprenant l'acquisition de 500,000 actions préférentielles subordonnées de Laurentide Financial Corp. Ltd. mentionnée dans le dernier rapport annuel.

Power Corporation of Canada, Limited

CONSEIL D'ADMINISTRATION

*W. A. Arbuckle, C.A., *Président du conseil d'administration canadien, Standard Life Assurance Company*

G. A. Burton, *Président, Simpsons Limited*

Howard Butcher III, *Président du conseil d'administration, International Utilities Corporation*

J. E. L. Duquet, C.R., *Associé senior, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston*

D. E. Kerlin, *Président, Montreal Trust Company*

W. Earle McLaughlin, *Président du conseil d'administration et président, Banque Royale du Canada*

*A. D. Nesbitt, *Président, Nesbitt, Thomson et Compagnie Limitée*

Arthur Simard, C.R., *Président du conseil d'administration, Marine Industries Limited*

*P. N. Thomson, *Président du conseil d'administration de la corporation*

*W. I. M. Turner, Jr., *Président de la corporation*

R. L. Weldon, *Président du conseil d'administration, Les Papeteries Bathurst Limitée*

*Membres du comité exécutif.

ADMINISTRATEURS HONORAIRES

R. R. Moodie
Jas. B. Woodyatt

DIRECTION

P. N. Thomson, *Président du conseil d'administration*
W. I. M. Turner, Jr., *Président*
H. A. Hampson, *Vice-président*
W. G. E. Lannaman, C.A., *Secrétaire-trésorier*
G. W. Rutledge, *Vice-président adjoint*
B. Whitestone, *Vice-président adjoint*
A. F. Knowles, C.A., *Contrôleur*
C. C. Frenette, *Conseiller juridique*
P. E. Martin, *Secrétaire adjoint*

BUREAU CHEF

1 Place Ville Marie, Montréal, Canada

AGENT DE TRANSPORT ET D'ENREGISTREMENT

Montreal Trust Company, *Montréal, Toronto, Calgary, Vancouver*

TITRES INSCRITS

Actions ordinaires: *Bourses de Montréal, Toronto, Vancouver, Bourse de Londres*

Actions privilégiées participantes: *Bourse canadienne*

Actions privilégiées prioritaires: *Bourses de Montréal et Toronto*

Power Corporation Developments Limited

(filiale)

DIRECTION

W. I. M. Turner, Jr., *Président du conseil d'administration*
J. A. Scott, *Président*
G. W. Rutledge, *Vice-président et gérant général*
H. P. Milavsky, C.A., *Vice-président*
E. H. Peck, *Vice-Président*
W. G. E. Lannaman, C.A., *Secrétaire-trésorier*

Power Corporation of Australia, Limited

(filiale)

DIRECTION

J. D. Wolfensohn, *Président du conseil d'administration*
W. I. M. Turner, Jr., *Vice-président*
D. L. Elsworth, *Directeur*
I. F. McLaren, *Directeur exécutif*
I. R. Harper, *Secrétaire*

Notre objectif:

Faire avec imagination et discernement des placements fondés sur le potentiel économique du Canada

Pour atteindre cet objectif, Power Corporation of Canada, Limited a pour politique de:

1. Faire des placements de participation à long terme dans des industries ayant un potentiel élevé de croissance et de rentabilité.

2. Concentrer nos placements dans un nombre restreint de compagnies qui sont ou peuvent accéder au premier rang dans leurs domaines respectifs.

3. Promouvoir et appuyer, dans chacune de ces compagnies, une direction autonome et capable, et aider ces entreprises à réaliser pleinement leurs possibilités.

4. Favoriser le perfectionnement des méthodes de gestion et la création de procédés techniques, de produits et de marchés nouveaux.

5. Faire nos placements avant tout au Canada et, hors de ses frontières, dans des entreprises ayant avec lui des liens d'intérêts et de compétences.

Power Corporation of Canada, Limited

Rapport financier 1966

AR37

POWER CORPORATION OF CANADA, LIMITED

President's Remarks to the General Meeting of Shareholders, May 29th, 1967

Scarcely six months have elapsed since the General Meeting of Shareholders held November 28th last. The fiscal period now under review had but one month to go at that meeting and many of the developments marking its passage were outlined to you then. These have been further described in the 1966 Financial Report, copies of which have been mailed to all shareholders.

There have been three announcements in the press recently which occurred subsequent to the printing of the Financial Report, and therefore, bear some elaboration here.

Three years ago, Bathurst Paper Limited, for many years Power Corporation's only participation in the forest products industry, was joined in our portfolio by an investment in Consolidated Paper Corporation Limited. Following extensive negotiations between their respective managements, these two companies are now putting into effect the plan for merger announced in October 1966. This has been made possible by the acquisition of virtually all the Bathurst outstanding common and Class A shares by Consolidated.

On Tuesday, May 23rd, it was announced that the joint offer of Power Corporation and Consolidated Paper for 1,200,000 common shares of Dominion Glass Company Limited at $15.00 per share had been accepted by the holders of more than such number of shares. Power Corporation first acquired an interest in Dominion Glass in 1963. The latter, with sales in excess of $54 million annually, is the largest company in its field in Canada. The opportunities now provided Dominion Glass and the container and plastics divisions of Bathurst for cooperation in the packaging industry are considerable.

Recently a substantial block of Canada Steamship Lines stock, consisting of 100,000 common and 125,960 preferred shares, became available. Your management decided to take this opportunity of increasing its holdings in a company which continues to report high earnings and, in our judgement, possesses further substantial growth potential.

On May 15th, Capital Management launched a new mutual fund, All Canadian Venture Fund Ltd., which will strive for above average appreciation of capital by stressing investments in the higher growth segments of the Canadian and U.S. economies.

Some years ago, following shareholder authorization of stock incentives for senior personnel, stock options were granted to several employees. Most of these options have now been exercised and recent tax legislation has eliminated almost all the benefits that existed. The purpose for this incentive can still be achieved by encouraging executives to acquire and hold shares in the company. A stock purchase plan is therefore being established and funds provided to trustees who will purchase shares for sale to employees participating therein.

It is gratifying to see the increasing interest being taken by governmental authorities and the Canadian public at large in the opportunities presented by space satellite technology. When Power Corporation and Niagara Television Ltd. first focussed attention on the particular advantages Canada could derive from the utilization of a domestic satellite in the television and other communications fields, the opinions expressed in reaction were much less positive than those we are now hearing. We are still awaiting the decision of the appropriate governmental authorities on our proposal.

The net asset value per Power Corporation common share on April 30th, the last published date, was $18.65.

The discount placed by the stock market on the shares of your company in relation to their underlying asset value continues to be unreasonably large in our opinion. However, we are confident that it will narrow considerably when the effects of our policy of long term concentrated investment activity, of fewer and larger holdings, are realized.

A comparison of our investment portfolio at the end of each of the last five years demonstrates the extent to which we have been able to dispose of our smaller holdings while limiting our investment operations to certain areas in which your management is able to play a creative and informed role. We are fortunate in that the activity of your man-

agement has always been matched by a Board of Directors capable of bringing a wealth of experience to bear on the policy questions affecting your company.

The world has not yet been fully appraised of the outcome and ultimate effects of the Kennedy Round Negotiations in Geneva. For Canadians this may be one of the most significant trade pacts since Confederation. Although it will not be without disadvantages, its benefits should be many and widespread. These, however, will be obtainable only if we show a willingness and a preparedness to undergo far-reaching adjustments in the tenor and direction of our industrial development.

This is the nation that brought Expo 67 to reality. The drive and determination, the talent and initiative demonstrated by this truly remarkable feat stand as ample proof that Canada is ready to meet the challenges posed by the tearing down of economic boundaries. It is against this background that your company's objective should be read — "To invest creatively in Canada's future".

The General Meeting elected the following shareholders as Directors of the Company: W. A. Arbuckle, G. Allan Burton, Howard Butcher III, J. E. L. Duquet, D. E. Kerlin, W. Earle McLaughlin, A. D. Nesbitt, Arthur Simard, P. N. Thomson, W. I. M. Turner, Jr., and R. L. Weldon.

At the Directors Meeting which followed the Shareholders Meeting the following officers were appointed:

P. N. Thomson	Chairman
W. I. M. Turner, Jr.	President
H. A. Hampson	Vice-President — Corporate Development
P. Britton Paine, Q.C.	Vice-President
W. G. E. Lannaman	Secretary-Treasurer
G. W. Rutledge	Assistant Vice-President
B. Whitestone	Assistant Vice-President
A. F. Knowles	Comptroller
C. C. Frenette	General Counsel
P. E. Martin	Assistant Secretary

continue de demeurer trop considérable à notre avis. Nous sommes confiants que cet escompte sera réduit considérablement lorsque les effets de notre politique se seront matérialisés; politique de concentration sur des investissements en blocs plus gros et moins nombreux.

Une comparaison de notre portefeuille à la fin de chacune des cinq dernières années démontre jusqu'à quel point nous avons réussi à disposer de nos petits placements pour concentrer nos intérêts sur certains secteurs dans lesquels votre administration est en position de jouer un rôle créateur. A ce point de vue, nous sommes très heureux que les activités de la direction aient toujours été bien appuyées par un conseil d'administration capable d'apporter à la table du conseil un éventail d'expérience très vaste pour résoudre les problèmes de la politique générale concernant votre société.

Le monde n'a pas encore été pleinement informé des résultats des négociations tarifaires de Genève, dites 'Kennedy Round", ni de leurs conséquences lointaines. Pour le Canada, ce pacte s'avèrera peut-être le plus important depuis celui de la Confédération. S'il présente certains inconvénients, ses avantages seront néanmoins vastes et nombreux. Mais nous ne pourrons en profiter que si nous acceptons de modifier de façon importante l'orientation de notre développement industriel.

Notre pays est celui qui a fait de l'Expo 67 une réalité. L'allant et la détermination, le talent et l'initiative que dénote cette oeuvre tout à fait exceptionnelle sont la preuve convaincante que le Canada est prêt à résoudre les difficultés qui naîtront de l'élimination des frontières économiques. C'est dans cette perspective qu'il faut interpréter l'objectif de votre société: "Faire avec imagination et discernement des placements fondés sur le potentiel économique du Canada."

L'assemblée des actionnaires a élu administrateurs de la Compagnie les actionnaires suivants: MM. W. A. Arbuckle, G. Allan Burton, Howard Butcher III, J. E. L. Duquet, D. E. Kerlin, W. Earle McLaughlin, A. D. Nesbitt, Arthur Simard, P. N. Thomson, W. I. M. Turner, Jr., et R. L. Weldon.

A la réunion du Conseil qui a suivi l'assemblée annuelle, les personnes suivantes ont été nommées aux postes de direction:

P. N. Thomson	Président du Conseil
W. I. M. Turner, Jr.	Président
H. A. Hampson	Vice-Président
P. B. Paine, C.R.	Vice-Président
W. G. E. Lannaman	Secrétaire-trésorier
G. W. Rutledge	Vice-Président adjoint
B. Whitestone	Vice-Président adjoint
A. F. Knowles	Contrôleur
C. C. Frenette	Conseiller juridique
P. E. Martin	Secrétaire adjoint

POWER CORPORATION OF CANADA LIMITED

Commentaires du président à l'assemblée générale des actionnaires, le 29 mai 1967

Six mois à peine se sont écoulés depuis l'assemblée générale des actionnaires, le 28 novembre dernier. L'exercice financier dont nous examinons aujourd'hui les résultats n'avait plus alors qu'un mois à courir et la plupart des événements qui l'ont marqué vous avaient été signalés. Ces détails vous ont été communiqués à nouveau dans le rapport financier de 1966, qui a été envoyé à tous les actionnaires.

Trois événements ont retenu l'attention de la presse subséquemment à la publication du rapport annuel et conséquemment ces événements méritent un commentaire de notre part.

La société Bathurst Paper Limited, qui représentait, il y a trois ans notre seul intérêt dans l'industrie des produits forestiers, fut jointe à nos titres en portefeuille par un investissement dans la société Consolidated Paper Corporation Limited. A la suite de négociations intensives entre les groupes de gérance respectifs, ces deux sociétés sont à mettre de l'avant le plan de fusionnement tel que rendu public en octobre 1966. Cette transaction a été confirmée par l'achat de la presque totalité des actions ordinaires et des actions de la classe A en circulation de la société Bathurst Paper Limited par la société Consolidated Paper.

Le mardi, 23 mai, Power Corporation et la société Consolidated Paper ont annoncé que les détenteurs d'un nombre d'actions supérieur à l'offre proposée avaient accepté leur offre conjointe pour l'achat d'un million deux cent mille actions communes de la société Dominion Glass Company Limited à un prix de quinze dollars l'action. Power Corporation a, pour la première fois, acquis un intérêt dans Dominion Glass en 1963. Cette société est la plus importante dans son secteur au Canada et son volume de vente dépasse cinquante-quatre millions de dollars par année. Nous ne doutons pas que la collaboration qui va s'établir entre la Dominion Glass et les divisions des cartonnages et des plastiques de la Bathurst ouvre des possibilités fort intéressantes.

Tout récemment, lorsqu'un bloc substantiel des actions de la société Canada Steamship Lines Limited groupant 100,000 actions communes et 125,960 actions privilégiées devenait disponible, votre administration décida de profiter de l'occasion qui se présentait d'ainsi accroître ses intérêts dans cette compagnie qui, tout en continuant d'indiquer des revenus élevés, possède un potentiel de croissance impressionnant.

Le 15 mai Capital Management annonçait la création d'un nouveau fonds mutuel, All Canadian Venture Fund Ltd., dont l'objectif principal est axé vers un accroissement supérieur à la moyenne du capital et ce, par l'orientation des investissements vers les secteurs de haute croissance des économies canadienne et américaine.

Il y a quelques années, la direction, sous autorisation des actionnaires, a offert aux cadres supérieurs de notre société des encouragements sous forme d'actions. Plusieurs employés ont reçu des options dont la plupart ont maintenant été exercées. De nouvelles lois fiscales ont presque entièrement annulé les avantages que ces options offraient. Ce même but peut cependant être poursuivi en permettant aux officiers d'acquérir et de détenir des actions dans la compagnie. C'est pourquoi nous nous occupons actuellement d'instituer un programme d'achat d'actions comportant la création d'un fonds de fiducie pour acheter des actions et les revendre aux employés participants.

Nous sommes heureux de constater l'intérêt croissant manifesté par les autorités gouvernementales et le public canadien devant les opportunités que présentent la transaction des satellites spatiaux. Lorsque Power Corporation et la société Niagara Television Limited ont attiré l'attention pour la première fois au Canada sur les bénéfices particuliers que le pays pourrait recevoir de l'utilisation d'un satellite domestique pour les fins de télévision et autres secteurs de communications, les opinions alors exprimées en réaction à cette possibilité étaient beaucoup moins positives qu'elles le sont présentement. Nous attendons maintenant la décision des autorités gouvernementales appropriées sur la proposition que nous leur avons faite.

La valeur réelle des actifs par action ordinaire de Power Corporation au 30 avril dernier était de $18.65.

L'escompte accordé par le marché de la bourse aux actions de la compagnie en regard de leur valeur sous-jacente

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POWER CORPORATION OF CANADA LIMITED

INTERIM REPORT

Your Board is pleased to submit this Interim Report for the six months ending June 30th, 1967. Net earnings per Power Corporation common and participating preferred share for this period were 24.8¢ compared to 26¢ a year ago. Reflecting the lower market prices which existed on June 30th, 1967, the company's consolidated investment portfolio stood at $178,722,198. compared to $186,248,306. on June 30th, 1966. Net asset value per common share was $16.25 on June 30th, 1967 as against $20.00 for the same date a year earlier.

Dividends continue to be paid at the quarterly rate of 11¢ per share established in September 1966.

We are enclosing a copy of the President's Speech to the General Meeting of Shareholders held May 29th last. By way of addendum to Mr. Turner's address, we would draw your attention to the following:

On June 2nd, Power Corporation of Canada Limited and Consolidated Paper Corporation Limited announced that they were taking up 1,200,000 common shares or approximately 75% of those tendered pursuant to their joint offer to the shareholders of Dominion Glass Company Limited. Our combined holdings now constitute a majority of the voting shares of the latter company.

Among the new directors appointed to the Board of Dominion Glass were Messrs. P. N. Thomson, W. I. M. Turner, Jr. and P. B. Paine, Q.C. Mr. Paine's appointment, effective September 1st next, as Vice President of Power Corporation, was recently announced in the press. He was formerly a senior partner in the firm of Paine, Edmonds, Mercer & Williams, Barristers and Solicitors of Vancouver, B.C.

On behalf of the Board,

Montreal,
August 7, 1967.

P. N. THOMSON,
Chairman.

W. I. M. TURNER, Jr.,
President.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Six Months ended 30 June 1967 & 1966

	1967	1966
SOURCE OF FUNDS		
Proceeds from disposal of investments	$11,637,260	$27,583,547
Proceeds from issue of income debentures	4,000,000	—
Net earnings	2,536,216	2,638,783
Reduction in net current assets	2,715,898	—
	$20,889,374	$30,222,330
USE OF FUNDS		
Purchase of investments	$17,016,161	$13,784,831
5½% debentures due 1977 — purchased for cancellation	46,000	—
4¾% first preferred shares — purchased for cancellation	285,375	—
Increase in advance to trustees of stock option plan	1,214,312	131,575
Increase in net current assets	—	14,114,800
Dividends:		
4¾% first preferred shares 1965 series	701,040	712,500
6% non-cumulative participating preferred shares	262,805	238,914
common shares	1,363,681	1,239,710
	$20,889,374	$30,222,330

CONSOLIDATED INVESTMENT PORTFOLIO as at 30 June 1967

Quoted Investments at Market Value Unquoted Investments at Cost	Debentures and Notes (par value)	Preferred shares	*Common Shares* Number held	*Common Shares* % of out-standing	Total
CHEMICALS — 5.60%					
Chemcell Limited			1,000,000	7.5	$ 10,000,000
FINANCE — 8.63%					
*Capital Management Limited	1,603,972	895,000	10,363	86.3	2,832,199
Laurentide Financial Corp. Ltd.	400,000	500,000	3,297,000	64.3	6,759,900(1)
*Yorkshire Financial Corp. Ltd.			200,000	60.4	2,000,000
The Royal Bank of Canada			198,225	.7	3,072,487
RoyWest Banking Corporation Ltd.			250,000	4.0	754,122
MANUFACTURING — 13.86%					
Congoleum-Nairn Inc.			658,392	25.9	13,332,438
Dominion Glass Company Ltd.		5,500	655,147	30.9	6,984,661
*Inspiration Limited		65,000	1,674,556	52.2	4,460,451
OIL AND GAS — 17.78%					
Canadian Industrial Gas & Oil Ltd.		165,376			1,736,448
International Utilities Corporation			200,000	3.0	6,800,000
Northern & Central Gas Company Ltd.			2,000,000	16.7	23,240,000
PULP AND PAPER — 25.70%					
Consolidated Paper Corporation Ltd.		491,200	925,000	15.6	45,936,600(2)
REAL ESTATE — 4.56%					
*Canadian Interurban Properties Ltd.			2,715,000	55.3	8,146,500
TOURISM AND HOTELS — 4.83%					
Motels of Australia Limited group of companies	4,000,000 US				4,292,146
Bahamas-Caribbean Development Corp.		500,000	1,815,190	40.7	1,589,174
North American Recreation Industries Ltd.		165,000	110,000	50.0	2,750,000
TRANSPORTATION — 14.44%					
Canada Steamship Lines Limited		325,960	764,600	29.7	25,807,135
UNCLASSIFIED — 4.60%					
Dominion Electric Protection Company			3,969	49.0	677,675
Quebec Telemedia Inc.	2,300,000		50,000	50.0	2,350,000
Other					5,200,262
					$178,722,198

*Unconsolidated subsidiaries.

Notes:

(1) Includes 3,000,000 subordinated common shares and 500,000 subordinated $1.80 preferred shares valued on a basis related to the market price of the common shares which results in a reduction from cost of $8,600,000.

(2) Includes the value of 285,000 warrants to purchase shares at $40.00 per share.

STATEMENT OF CONSOLIDATED EARNINGS

	Six Months ended 30 June 1967		Six Months ended 30 June 1966	
Income from Investments	$	$3,850,709	$	$4,033,546
Management and general expenses	585,006		676,808	
Less: management fees received	101,191		134,477	
	483,815		542,331	
Debenture and other interest	830,678		852,432	
		1,314,493		1,394,763
Net Earnings		2,536,216		2,638,783

ÉTAT DU PORTEFEUILLE DE PLACEMENTS CONSOLIDÉS au 30 juin 1967

Les titres cotés sont inscrits à leur valeur négociable Les titres non cotés, au prix coûtant	Débentures, billets (Valeur au pair)	Actions privilégiées	Actions Ordinaires Nombre en mains	Actions Ordinaires % des actions en circulation	Total
PRODUITS CHIMIQUES — 5.60%					
Chemcell Limited			1,000,000	7.5	$ 10,000,000
FINANCES — 8.63%					
*Capital Management Limited	1,603,972	895,000	10,363	86.3	2,832,199
Laurentide Financial Corporation Ltd.	400,000	500,000	3,297,000	64.3	6,759,900(1)
*Yorkshire Financial Corporation Ltd.			200,000	60.4	2,000,000
Banque Royale du Canada			198,225	.7	3,072,487
RoyWest Banking Corporation Ltd.			250,000	4.0	754,122
INDUSTRIES MANUFACTURIÈRES — 13.86%					
Congoleum-Nairn Inc.			658,392	25.9	13,332,438
Dominion Glass Company Limited		5,500	655,147	30.9	6,984,661
*Inspiration Limited		65,000	1,674,556	52.2	4,460,451
PÉTROLE, GAZ NATUREL — 17.78%					
Canadian Industrial Gas & Oil Limited		165,376			1,736,448
International Utilities Corporation			200,000	3.0	6,800,000
Northern & Central Gas Company Limited			2,000,000	16.7	23,240,000
PÂTES ET PAPIERS — 25.70%					
Consolidated Paper Corporation Limited		491,200	925,000	15.6	45,936,600(2)
IMMOBILIER — 4.56%					
*Canadian Interurban Properties Limited			2,715,000	55.3	8,146,500
TOURISME ET HÔTELS — 4.83%					
Motels of Australia Limited Group of Companies	4,000,000US				4,292,146
Bahamas-Caribbean Development Corp. Limited		500,000	1,815,190	40.7	1,589,174
Les Industries de Récréations Nord-Américaines Ltée		165,000	110,000	50.0	2,750,000
TRANSPORTS — 14.44%					
Canada Steamship Lines, Limited		325,960	764,600	29.7	25,807,135
DIVERS — 4.60%					
Dominion Electric Protection Company			3,969	49.0	677,675
Quebec Telemedia Inc.	2,300,000		50,000	50.0	2,350,000
Autres compagnies					5,200,262
					$178,722,198

*Filiale non consolidée.

Notes:

(1) Dont 3,000,000 d'actions ordinaires subordonnées et 500,000 d'actions privilégiées subordonnées, $1.80 évaluées suivant une formule reliée au cours des actions ordinaires résultant en une réduction du coût de $8,600,000.

(2) Incluant la valeur des 285,000 warrants pour l'achat d'actions ordinaires à $40 l'action.

ÉTAT DES REVENUS CONSOLIDÉS

	Les six mois terminés le 30 juin 1967		Les six mois terminés le 30 juin 1966	
Revenus de placements		$3,850,709		$4,033,546
Administration et frais généraux	$585,006		$676,808	
Moins: Honoraires d'administration perçus	101,191		134,477	
	483,815		542,331	
Intérêt de la dette obligataire et autres	830,678		852,432	
		1,314,493		1,394,763
Bénéfice net		2,536,216		2,638,783

POWER CORPORATION OF CANADA LIMITED

RAPPORT INTÉRIMAIRE

Votre Conseil d'Administration est heureux de soumettre le présent rapport intérimaire pour l'exercice des six mois qui se sont terminés le 30 juin 1967. Les bénéfices nets des actions ordinaires et privilégiées participantes pour la période ont été de 24.8¢ comparativement à 26¢ l'an dernier. Se basant sur les plus bas prix du marché au 30 juin, 1967, l'état du portefeuille de placements consolidés se chiffrait à $178,722,198. contre $186,248,306. au 30 juin 1966. La valeur nette des actions ordinaires au 30 juin 1967 était de $16.25 en comparaison de $20.00 à pareille date l'an dernier.

Des dividendes au taux de 11¢ par action ont été payés aux trimestres selon le plan établi en septembre 1966.

Nous incluons une copie de l'allocution du Président lors de l'assemblée générale des actionnaires tenue le 29 mai dernier. Comme addenda à l'adresse de Monsieur Turner, nous attirons votre attention sur ce qui suit.

Le 2 juin, Power Corporation of Canada Limited et Consolidated Paper Corporation Limited rendaient publique l'acquisition de 1,200,000 actions ordinaires soit approximativement 75% de leur offre conjointe aux actionnaires de Dominion Glass Company Limited, ce qui constitue un droit majoritaire d'actions votantes de cette dernière compagnie.

Parmi les nouveaux directeurs élus au Conseil d'Administration de Dominion Glass citons Messieurs P. N. Thomson, W. I. M. Turner, Jr., et P. B. Paine, C.R. La nomination de M. Paine effective au 1 septembre prochain, comme vice-président de Power Corporation, a été publiée dans les journaux. Monsieur Paine faisait partie auparavant à titre d'associé sénior de la firme Paine, Edmonds, Mercer & Williams, Avocats et Solliciteurs de Vancouver, C.B.

Pour le conseil d'administration,

Montréal,
le 7 août 1967.

P. N. THOMSON,
Président du conseil.

W. I. M. TURNER, JR.,
Président.

PROVENANCE ET EMPLOI DES FONDS

Pour les six mois se terminant les 30 juin 1967 & 1966

	1967	1966
PROVENANCE DES FONDS		
Ventes de placements	$11,637,260	$27,583,547
Émission de débentures garanties	4,000,000	—
Bénéfices nets	2,536,216	2,638,783
Réduction des actifs disponibles nets	2,715,898	—
	$20,889,374	$30,222,330
EMPLOI DES FONDS		
Achats de placements	$17,016,161	$13,784,831
5½% débentures échéant en 1977 — achetées pour annuler	46,000	—
4¾% actions privilégiées prioritaires — achetées pour annuler	285,375	—
Augmentation des avances aux fiduciaires du Plan d'options sur actions	1,214,312	131,575
Augmentation des actifs disponibles nets	—	14,114,800
Dividendes:		
4¾% actions privilégiées prioritaires série 1965	701,040	712,500
6% actions privilégiées participantes non-cumulatives	262,805	238,914
actions ordinaires	1,363,681	1,239,710
	$20,889,374	$30,222,330